

**FRANKLIN PUBLIC LIBRARY**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2004**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>FRANKLIN PUBLIC LIBRARY</b>	County <b>OAKLAND</b>
Fiscal Year End <b>JUNE 30, 2004</b>	Opinion Date <b>DECEMBER 11, 2005</b>	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

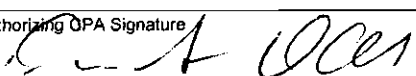
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>GUEST, OLDS AND WEST PLC</b>		Telephone Number <b>248-645-1411</b>	
Street Address <b>30600 TELEGRAPH STE 3165</b>		City <b>BINGHAM FARMS</b>	State <b>MI</b>
		Zip <b>48025</b>	
Authorizing CPA Signature 		Printed Name <b>DOUGLAS G. OLDS</b>	License Number <b>1101021520</b>

Independent Auditor's Report

To the Board of Directors  
Franklin Public Library  
Franklin, Michigan

We have audited the accompanying general purpose financial statements of Franklin Public Library as of June 30, 2004 and for the year then ended. These general purpose financial statements are the responsibility of Franklin Public Library management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Franklin Public Library as of June 30, 2004 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

December 11, 2005

  
GUEST, OLDS AND WEST, PLC

**FRANKLIN PUBLIC LIBRARY  
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2004**

	<b>GOVERNMENTAL FUND TYPES</b>	<b>ACCOUNT GROUPS</b>	<b>TOTAL (MEMORANDUM ONLY)</b>
<b>ASSETS</b>	<b>GENERAL FUND</b>	<b>GENERAL FIXED ASSETS</b>	
Cash	\$61,452	\$ -	\$61,452
Certificates of deposit	64,808	-	64,808
Capital assets	<u>-</u>	<u>90,981</u>	<u>90,981</u>
<b>TOTAL ASSETS</b>	<u><u>\$126,260</u></u>	<u><u>\$90,981</u></u>	<u><u>\$217,241</u></u>
<b>FUND EQUITY</b>			
General investment in fixed assets	\$ -	\$90,981	\$90,981
Fund balance – General fund	<u>126,260</u>	<u>-</u>	<u>126,260</u>
<b>TOTAL FUND EQUITY</b>	<u><u>\$126,260</u></u>	<u><u>\$90,981</u></u>	<u><u>\$217,241</u></u>

**FRANKLIN PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED JUNE 30, 2004**

<b>REVENUE</b>	<b>GENERAL FUND</b>
Property taxes	\$104,021
State of Michigan	2,699
Development grants	2,487
Contributions	1,075
Fundraisers	1,476
Desk revenue	2,421
Interest income	2,728
Miscellaneous income	<u>350</u>
<b>TOTAL REVENUES</b>	<b>117,257</b>
<b>EXPENDITURES</b>	
Salaries	42,095
Payroll taxes	3,220
Training	700
Professional services	3,131
Books and periodicals	15,413
Automation costs	11,804
Telecommunications	2,344
Biblio database	4,522
Service subscriptions	360
Datamailers	109
Special activities	1,263
Insurance	3,414
Maintenance and repairs	4,491
Utilities	4,107
Office supplies	2,208
Miscellaneous	65
Capital outlays	<u>4,582</u>
<b>TOTAL EXPENDITURES</b>	<b><u>103,828</u></b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>13,429</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b><u>112,831</u></b>
<b>FUND BALANCE AT YEAR END</b>	<b><u><u>\$126,260</u></u></b>

See notes to financial statements

**FRANKLIN PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED JUNE 30, 2004**

<b>GENERAL FUND</b>			
<b>REVENUE</b>	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>
Property taxes	\$104,021	\$101,000	\$3,021
State of Michigan	2,699	2,600	99
Development grants	2,487	-	2,487
Contributions	1,075	-	1,075
Fundraisers	1,476	1,300	176
Desk revenue	2,421	2,000	421
Interest income	2,728	2,500	228
Miscellaneous income	350	-	350
<b>TOTAL REVENUES</b>	<b>117,257</b>	<b>109,400</b>	<b>7,857</b>
<b>EXPENDITURES</b>			
Salaries	42,095	36,000	(6,095)
Payroll taxes	3,220	2,800	(420)
Training	700	1,000	300
Professional services	3,131	3,000	(131)
Books and periodicals	15,413	15,000	(413)
Automation costs	11,804	13,000	1,196
Telecommunications	2,344	4,100	1,756
Biblio database	4,522	4,200	(322)
Service subscriptions	360	600	240
Datamailers	109	150	41
Special activities	1,263	1,000	(263)
Insurance	3,414	3,500	86
Maintenance and repairs	4,491	10,000	5,509
Utilities	4,107	4,500	393
Office supplies	2,208	700	(1,508)
Miscellaneous	65	450	385
Capital outlays	4,582	7,300	2,718
<b>TOTAL EXPENDITURES</b>	<b>103,828</b>	<b>107,300</b>	<b>3,472</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>13,429</b>	<b>2,100</b>	<b>4,385</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>112,831</b>	<b>112,831</b>	<b>112,831</b>
<b>FUND BALANCE AT YEAR END</b>	<b>\$126,260</b>	<b>\$114,931</b>	<b>\$117,216</b>

See notes to financial statements

**FRANKLIN PUBLIC LIBRARY**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Franklin Public Library (the Library) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

The Library is a municipal library that serves the Village of Franklin. The Library is governed by an elected six-member board of directors. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

Basis of Presentation

The financial activities of the Library are recorded in separate funds and account groups categorized and described as follows:

**Governmental Funds**

**General Fund** - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are financed primarily by property taxes.

**Account Groups**

**General Fixed Asset Account Group** - This account group presents the fixed assets of the Library utilized in its general operations. Fixed assets are recorded as expenditures at cost, at the time of purchase. No depreciation has been provided on general fixed assets.

Basis of Accounting

The modified accrual basis of accounting is utilized. Modifications in such method from the accrual basis are as follows:

Property taxes and other revenue that are both measurable and available for use to

**FRANKLIN PUBLIC LIBRARY**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

finance operations are recorded as revenue when earned. Other revenue is recorded when received. Expenditures are recorded when goods and services are received and actual liabilities incurred.

Properties are assessed as of December 31. Property taxes are levied and due July 1 and payable without penalty through August 31.

Investments

Investments are recorded at fair market value. Investment income is recognized when earned.

Cash Equivalents

The Library considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Deposits:**

The Library's deposits consist of checking and savings accounts. At year end, the carrying amount of the Library's deposits, excluding petty cash of \$50, was \$61,402, and the bank balance was \$65,122. The bank balance was covered by federal depository insurance.

**Investments:**

The Library is authorized by Michigan Public Act 20 of 1943 to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles. The Library's sole investments are certificates of deposit that have a carrying value and market value of \$64,808.



**FRANKLIN PUBLIC LIBRARY  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 3 - CAPITAL ASSETS**

The capital assets of the Library at June 30, 2004 consist of the following:

	Balance <u>June 30, 2003</u>	<u>Additions</u>	Balance <u>June 30, 2004</u>
Building improvements	\$47,828	-	\$47,828
Equipment	23,130	-	23,130
Furniture and fixtures	<u>15,441</u>	<u>\$4,582</u>	<u>20,023</u>
	<u>\$86,399</u>	<u>\$4,582</u>	<u>\$90,981</u>

**NOTE 4 - RISK MANAGEMENT**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Library has purchased commercial insurance coverage for all claims. The Library is uninsured for unemployment claims. There were no claims made during the fiscal year ended June 30, 2004 and the Library has no liability as of June 30, 2004. Settled claims relating to the commercial insurance have not exceeded the amount of the insurance coverage in any of the past three fiscal years.

**NOTE 5 - BUDGET INFORMATION**

The annual budget is prepared by the Library Board. Unexpended appropriations lapse at year end and encumbrances are not included as expenditures. The amount of encumbrances outstanding at year end has not been calculated.

The budget has been prepared in accordance with generally accepted accounting principles.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Library Board is included in the general purpose financial statements.

**FRANKLIN PUBLIC LIBRARY  
COMMENTS AND RECOMMENDATIONS  
JUNE 30, 2004**

**Comment:** The library has a collection of books, furniture and fixtures that are recorded at cost, but no inventory has been provided.

**Recommendation:** An inventory of furniture and equipment should be taken with a related cost figure provided. For library books, an estimated cost can be used to account for the total amount of the collection.